GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Water Resources (Reforms) Dept. - Works – Price Adjustment – Comprehensive Orders on Price Adjustment Calculations applicable to all the Departments, Institutions, Corporations and Universities – Orders – Issued.

WATER RESOURCES (REFORMS) DEPARTMENT

G.O. Ms. No.62 **Dated: 30.11.2021**

Read the following:

1) G.O. Ms. No. 35, TR&B Department, Dt: 28-02-2006.
2) G.O. Ms. No. 292, Panchayat Raj Department, Dt: 28-07-2006.
3) G.O. Ms. No. 435, MA&UD Department, Dt: 18-08-2006.
4) G.O. Ms. No. 175, TR&B Department, Dt: 19-02-2007.
5) G.O. Ms. No. 122, Panchayat Raj Department, Dt: 30-03-2007.
6) G.O. Ms. No. 94, TR&B Department, Dt: 16-04-2008.
7) G.O. Ms. No. 910, MA&UD Department, Dt: 21-06-2008.
8) G.O. Ms. No.252, TR&B Department, Dt:28-08-2008.
9) G.O. Ms. No.269, TR&B Department, Dt: 15-09-2008.
10) G.O. Ms. No. 35, TR&B Department, Dt: 30-01-2009.
11) G.O. Ms. No. 81, TR&B Department, Dt: 25-02-2009.
12) Govt. Memo No. 1985, TR&B Department Dt. 27-08-2010.
13) G.O. Ms. No. 23, Panchayat Raj Department, Dt: 11-02-2014.
14) G.O.Ms.No.22,Irrigation & CAD (Reforms) Dept., Dt.23-02-2015.
15) G.O.Ms.No.63,Water Resources (Reforms) Dept., Dt.12-06-2015.
16) G.O. Ms. No. 67, TR&B Department, Dt: 27-11-2015.
17) Govt. Memo No. ICD01-COOR0MISC/82 /2019-REFORMS-1, Dt. 06.12.2019.
18) From the ENC(AW/IW) & Chairman, BoCEs, WRD, Lr. No. ENC/ IW/ P&M/ EE.I/ DEE.2/ AEE(K)/ 3rd BoCEs- 2020/ Price Adjustment/ Vol.1, Dt.04-6-2020.
19) From the ENC(AW/IW) & Chairman, BoCEs, WRD, Lr.No. ENC/ IW/ P&M/EE.I /DEE.2/ AEE(S)/ 3rd BoCEs-2021/ Price Adjustment, dt. 03-06-2021.

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ORDER:

In the Government Orders and Memos 1st to 13th and G.O.16th read above Government in various Engineering Departments have issued various orders on Price Adjustment periodically, making it applicable on various materials and also issued certain modifications in the method of calculations, applicability to various Contracts, applicability of Tender Percentage etc., on the above subject to the extent applicable to the respective Departments, Institutions and Corporations. It leads to different interpretations as regards application and method of calculation.

2) Now in CFMS-Phase-II Works Module, it is contemplated to take it to cover both backward and forward integration from the Phase-I Level. The scope includes among others is Price Adjustment calculation, to be done by the system as part of its Bill generation process. The Vigilance and Enforcement Department have also suggested earlier to issue a 'Comprehensive Order'.

3) In order to put at rest to all the different interpretations, Government felt that there is a need for one Comprehensive Order, covering all the aspects of Price Adjustment and applicable to all the Departments and requested the Engineer-in-Chief (Irrigation Wing), Water Resources Dept., & Chairman, Board of Chief Engineers to discuss the issue and recommend a proposal for issue of a Comprehensive order vide Memo 17th read above.

4) In the letters 18th and 19th read above, the Engineer-in-Chief (A.W / I.W.), Water Resources Dept., & Chairman, Board of Chief Engineers (BoCEs), after due deliberations of the BoCEs in their minutes dt.18.02.2020 and 19.05.2021, have made certain recommendations to the Government.

5) In supersession of all the earlier orders / circular memos issued by various Departments on Price Adjustment from 1st to 13th and G.O. 16th read above, Government after careful examination of the Board of Chief Engineers (BoCEs) recommendations, hereby issues the following Comprehensive Order:

1. Price Adjustment is allowed on:

a. Cement
b. Steel
c. Bitumen
d. Petroleum, Oil and Lubricants (POLs)
e. DI Pipes
f. PVC Pipes
g. HDPE pipes
h. MS Pipes
i. Labour

2. Applicability:

a. Price Adjustment(both positive and negative)
   (i) Shall be applicable to all the works of Rs. 40.00 Lakhs and above and where the original period of contract as per agreement is six months or more.
   (ii) Shall not be applicable for works of Rs. 40.00 Lakhs, where the original period of contract is less than six months. The EOTs sanctioned shall not be counted for price adjustment clause.
   (iii) Shall not be applicable for works less than Rs. 40.00 Lakhs, irrespective of the period of execution.
b. These orders are applicable for all the works for which tenders are invited on or after the date of this order. The Tender Inviting Authority should incorporate this order in the Bid Document.
c. Price Adjustment shall be allowed in all cases where the variation between the estimated rates and current rates is more than 5% or less than -5%.

   Price Adjustment amount payable or deductible would be the differential amount arrived after adding or deducting initial 5% over the rate adopted in the Estimate respectively.

   No Price Adjustment shall be allowed for the cases where the variation between the estimated rates and BoCEs approved rates is less than 5% and more than -5%.

(Ex: In case of Cement, Steel & Bitumen where absolute variation is allowed:

Where Estimate rate/initial rate is Rs. 100/- and the current rate is Rs. 108/- the amount of Price Adjustment payable is (108-1.05x100), i.e., Rs.3/-

Similarly, where Estimate rate/initial rate is Rs. 100/- and the current rate is Rs. 92/-, the amount of Price Adjustment deductible from the bills is (92-0.95x100) i.e., Rs. 3/-

Again, when Estimate rate/initial rate is Rs. 100/- and the current rate is Rs. 98 (.i.e., between Rs. 95/- and Rs. 105/-), then no amount shall be recovered towards Price Adjustment and when Estimate rate/ initial rate Rs. 100/- and the current rate is Rs. 102 (i.e., between Rs. 95/- and Rs. 105/-), then no amount shall be reimbursed towards Price Adjustment)

d. Tender percentage (either + or -) should not be applied on the Price Adjustment amount worked out.
e. Price Adjustment amount shall be paid without reference to the provision available in the Estimate. However, provision should be ensured as per actual in the Revised Estimate by the Technical Sanctioning Authority.
f. For EAP works, Price Adjustment is applicable as defined in the Contract.

3. Calculation Methodology:

a. Rate adopted in the Estimate shall be initial rate
b. Rate as on the Date of measurement/ Recording shall be the Current rate
c. The rates of Cement, Steel, Bitumen, DI Pipes, PoLs and Labour shall be fixed periodically as follows:

(i) In case of Steel & Cement items :

a) The Price Adjustment shall be allowed on **monthly** basis.

b) (i) The Board of Chief Engineers shall meet on the 10th of every month and recommend the new price to the Secretary to Govt., Water Resources Department on the next day of the review for approval.

(ii) In case the Government, in consultation with Cement/ Steel manufacturers, fix the Cement or/and Steel rates for a specified period, the rates shall be followed till the end of that period. Thereafter, the procedure mentioned in (b) (i) shall be followed.

c) The Secretary to Govt., Water Resources Department in consultation with the Secretary, Finance (W&P) shall issue an Order on the settled new price every month based on the Board of Chief Engineers' recommendation

d) The BoCE shall collect quotations from ISI approved producers for all categories of Steel including TMT and arrive at an admissible price to be applied for the month.

e) The BoCE shall collect quotations from ISI standards Cement manufacturers and admissible rates should be adopted for the month.

f) Calculation formula:

Positive Price Adjustment, i.e., when the current rate is more than 1.05 times the estimate rate/initial rate

Amount to be paid =
Qty. Consumed during the specified month X (current rate-1.05 X initial rate)

Negative Price Adjustment, i.e., when the current rate is less than 0.95 times the estimate rate/initial rate

Amount to be deducted =
Qty. Consumed during the specified month X (current rate-0.95 X initial rate)

(ii) In case of Bitumen & PoLs :

a) The Price Adjustment shall be allowed on **fortnightly** basis.
b) The prices published on websites of Public Sector Undertakings (PSUs) shall be followed.
c) Calculation Formula:

- **For Bitumen**:

Positive Price Adjustment

Amount to be paid =

Qty. Consumed during the specified fortnight X (current rate-1.05 X initial rate)

Negative Price Adjustment

Amount to be deducted =

Qty. Consumed during the specified fortnight X (current rate-0.95 X initial rate)

- **For PoLs:**

Positive Price Adjustment

$Vf=(Pf/100) X R X (Fi-1.05 X Fo)/Fo$

Negative Price Adjustment

$Vf= (Pf/100) X R X (Fi-0.95XFo)/Fo$

where

Vf=Price Adjustment amount for fuel to be paid/deducted

Pf=Percentage of PoL component of the work

Pf shall be taken as 15% for all Works except in case of EPC works of Water Resources Department for which Pf shall be as approved by the State Level Standing Committee(SLSC).

R= value of Work done (Gross Bill Amount less contractor's profit and overhead charges (CPOH) less tender premium less all reimbursable items such as seignorage charges, GST etc.,)

Fo=Average fortnightly wholesale price of High Speed Diesel at the existing Consumer pumping stations located in District Head Quarters nearest to worksite as on the date of sanction of Estimate.

Fi=Average fortnight wholesale price of High Speed Diesel at the existing Consumer pumping stations located in District Head Quarters nearest to worksite as on the date of recording of measurements.

(iii) DI Pipes :

a) The Price Adjustment shall be allowed on **monthly** basis
b) Calculation formula:

Positive Price Adjustment

$$P2=P1+(CPI2-1.05 \times CPI1)/1000 \times M \times 0.96$$

Negative Price Adjustment

$$P2=P1+(CPI2-0.95 \times CPI1)/1000 \times M \times 0.96$$

where

P2=Revised pipe price in Rupees per Meter

P1=Pipe Price in Rupees per Meter as Per SSR/Agreement

CPI2=Price of Pig Iron at the time of delivery.

CPI1=Price of Pig Iron considered in the estimate.

M=Weight of pipe in Kgs per Meter as per IS:8329-1994

0.96=0.96 MT of Pig Iron is required for manufacture of 1 MT of DI Pipes.

(iv) In case of Labour :

a) The Price Adjustment shall be allowed on **monthly** basis
b) The monthly consumer price index numbers for industrial labour (CPI(IW)) published by Labour Department of GoI shall be followed.
c) Calculation formula:

Positive Price Adjustment

$$V_L= R \times (p_L/100) \times (L_i-1.05 \times L_O)/L_O$$

Negative Price Adjustment

$$V_L= R \times (p_L/100) \times (L_i-0.95 \times L_O)/L_O$$

where

V_L= Variation in labour cost i.e., amount to be paid/deducted.

R= value of Work done during the specified month (Gross Bill Amount less contractor's profit and overhead charges (CPOH) less tender premium less all reimbursable Items such as seignorage charges, GST etc.,)

P_L=Component of Labour expressed as a percentage of the total value of the work excluding the Contractor's profit and overhead charges and Tender Premium.

L_O=Consumer Price Index number for Industrial workers for the month as on the date of sanction of Estimate.

L_i=Consumer Price Index number for Industrial workers for the month as on the date of recording of measurements.

v) For Rural Water Supplies :

a) HDPE Pipes :

a) The Price Adjustment shall be allowed on monthly basis.

b) Calculation formula:

Positive Price Adjustment

P2=P1+(A2-1.05 X A1)/1000 X M X 0.95

Negative Price Adjustment

P2=P1+(A2-0.95 X A1)/1000 X M X 0.95

where

P2=Revised pipe price in Rupees per Meter

P1=Pipe Price in Rupees per Meter as Per SSR/Agreement

A2=Current price of raw materials in Rs. per MT .

A1=Initial price/ estimate price of raw material in Rs. per MT.

M=Weight of pipe in Kgs per Meter as per weight chart.

b) PVC Pipes :

a) The Price Adjustment shall be allowed on **monthly** basis.

b) Calculation formula:

Positive Price Adjustment

P2=P1+(A2-1.05 X A1)/1000 X M X 0.95

Negative Price Adjustment

P2=P1+(A2-0.95 X A1)/1000 X M X 0.95

where

P2=Revised pipe price in Rupees per Meter

P1=Pipe Price in Rupees per Meter as Per SSR/Agreement

A2= Current price of raw materials in Rs. per MT .

A1= Initial price/ estimate price of raw material in Rs. per MT,

M=Weight of pipe in Kgs per Meter as per weight chart.

c) MS Pipes :

a) The Price Adjustment shall be allowed on **monthly** basis

b) Calculation formula:

Positive Price Adjustment

R2=R1+(M2-1.05 X M1)/1000 X W_m

Negative Price Adjustment

R2=R1+(M2-0.95 X M1)/1000 X W_m

where

R2=Revised pipe price in Rupees per Meter

R1=Pipe Price in Rupees per Meter as Per SSR/Agreement

M1= Initial price/ estimate price of raw material in Rs. per MT,

M2= Current price of raw materials in Rs. per MT .

W_m=*Weight of MS plates in Kgs per meter of pipe.*

6) This order shall come into force from the date of issue of the Government Order, **on agreements which have Price adjustment Clause, so that all calculation would be based on the above formulae uniformly.**

7) Earlier orders will continue to apply for all the ongoing works as per the Agreement conditions.

8) All the Heads of Departments, Institutions, Corporations, Local Bodies, Autonomous Bodies and Universities dealing with Works shall take action accordingly.

9) This Order issues with the concurrence of Finance Department vide their U.O. Note No.FIN01-FIN01-FMU0MRAS(WR2)/307/2020-FMU-WR-II, dated: 27.09.2021.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

DR. K.S. JAWAHAR REDDY
SPECIAL CHIEF SECRETARY TO GOVT.

To
All the Engineers-in-Chief in A.P.
All the Chief Engineers, Water Resources Department in A.P.
The Commissioner, Commissioner of Tenders, A.P., Vijayawada.

Copy to:
The Accountant General, A.P., Vijayawada.
The Director, Works & Accounts, A.P., Vijayawada.
The P.S. to the Addl. Secretary to Hon'ble C.M.
The P.S. to Hon'ble Minister (WR).
The P.S. to Hon'ble Minister (Finance).
The P.S. to the Spl. Chief Secretary to Govt., Water Resources Dept.
The P.S. to the Spl. Chief Secretary to Govt., Revenue.
The P.S. to the Spl. Chief Secretary to Govt., Ind. & Commerce Dept.
The P.S. to the Spl. Chief Secretary to Govt., H.M.& F.W. Dept.
The P.S. to the Secretary to Govt., Higher Education Dept.
The P.S. to the Principal Finance Secretary to Govt., Finance Dept.
The P.S. to the Principal Secretary to Govt., T.R. & B. Dept.
The P.S. to the Principal Secretary to Govt., P.R. & R.D. Dept.
The P.S. to the Principal Secretary to Govt., M.A. & U.D. Dept.
The Director, Vigilance & Enforcement Dept., A.P., Vijayawada.
The Advisory Consultant to APCFSS.
The Joint Secretary to Government (Technical),WRD.
The Finance (FMU-WR-II/W&P) Department.
The T.R.& B. Dept. / The M.A. & U.D. Dept. / The P.R. & R.D. Dept.
The H.M.& F.W. Dept. / The Inds. & Commerce Dept.
The Revenue Dept. / The Higher Education Dept.
The Deputy Director (Monitoring), WRD., A.P. Secretariat, Velagapudi.
All Sections / All Officers in Water Resources Department.
SC / SF.

// FORWARDED :: BY ORDER //

P. V. Bhaumsalam

SECTION OFFICER